

Sales of tangible personal property, which property, to the extent not first subjected to a use for which it was purchased, as an ingredient or constituent, goes into and forms a part of tangible personal property subsequently the subject of a "sale at retail," are not sales at retail, provided that the property purchased is deemed to be purchased for the purpose of resale. See 86 Ill. Adm. Code 130.210. (This is a GIL).

July 25, 2001

Dear Xxxxx:

This letter responds to your letter dated May 29, 2001 and confirms our recent clarifying telephone conversation. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

We submit the following to you for a ruling to determine if a product qualifies as a 'tax exempt' item:

The product is used to provide an adherent surface for paint on steel. This phosphate treatment affects the appearance, surface hardness and absorptivity of the coated steel. After painting, it remains on the steel surface and provides a lasting interlock for the adherent paint.

May I have a tax ruling at your earliest convenience, please.

In our conversation you stated that your product is used by a customer when it makes steel springs. You further stated that the product adheres to and remains on the steel springs when they are sold by your customer. So long as that is the case, the resale exemption would apply to the extent an item is later sold as part of an intentionally produced product or byproduct of manufacturing. See 86 Ill. Adm. Code 130.210, enclosed.

To purchase items of tangible personal property tax free for the purpose of resale, purchasers must submit properly completed Certificates of Resale to sellers. See 86 Ill. Adm. Code 130.1405, enclosed.

However, when items are not part of the tangible personal property when it is sold, such as solutions that are applied to products but then evaporate, purchase of such items are taxable for that portion that is not part of the product when sold, as such portion is "used" by the manufacturer.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.